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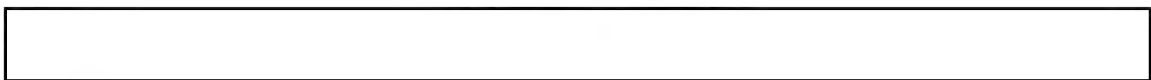


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CENTRAL INTELLIGENCE BULLETIN



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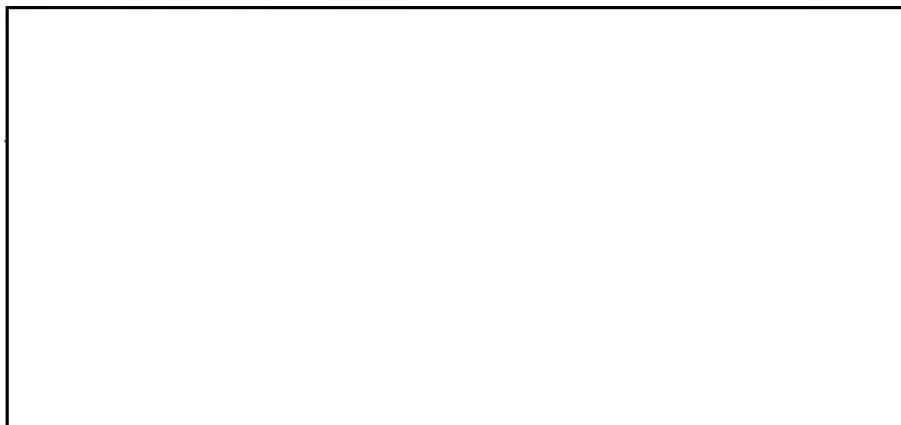
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South Vietnam: Captured documents indicate that the Viet Cong plan to increase their efforts to isolate Saigon with the aim of disrupting the national economy. The plans reportedly include a tight encirclement of the capital by means of "lightning attacks" against civil guard and military posts in the suburbs. In addition to the psychological effects of such action, the Viet Cong apparently hope to choke off the flow of goods and products to and from Saigon, which serves as the distribution center both for internal needs and for export. Viet Cong insurgency forced suspension of rice exports during the past year and last fall reduced the flow of rice for Saigon itself to a dangerously low level.

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South Vietnam - Cambodia: [N]go Dinh Nhu, influential brother of President Diem, remains opposed to any rapprochement with Cambodia and believes South Vietnam should take covert action to overthrow Prince Sihanouk, [REDACTED]

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[REDACTED] Nhu reportedly stated in mid-May that he intended to send small political action/guerrilla teams into Cambodia, having as one of their objectives the assassination of Sihanouk. This plan has apparently been shelved, however. [REDACTED]

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[I]n addition to their personal animus against Sihanouk, South Vietnamese leaders accuse him of tolerating use of Cambodian territory by the Viet Cong. Nhu may feel that some drastic action is warranted because of Sihanouk's interest in an international conference on South Vietnam and his broader proposals for a neutralist belt in Southeast Asia which would embrace South Vietnam. [REDACTED]

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Belgium-Congo: French Foreign Minister Couve de Murville told Assistant Secretary of State Williams on 10 July that the Congo situation could be resolved without resort to force merely by compelling the Union Miniere to stop payments to Katanga. He said that this remedy had never been tried because, as "is well known, the Societé Generale--the Union Miniere's holding company--is in control of the Belgian Government," and British financial interests back the position of the Societé Generale.

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Sources within the Societé Generale have informed the US Embassy in Brussels that the company's board of directors is somewhat shaken by Foreign Minister Spaak's threats that the Belgian Government will back UN plans to use force if necessary to bring Tshombé to terms. The board reportedly believes, however, that the UN's financial problems and its fear of a public outcry against military action will prevent a recourse to force. The sources point out that Spaak has virtually no other means of bringing pressure on the board, which is convinced that the Leopoldville government is headed for bankruptcy and is likely soon to collapse.

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Syria-Jordan-Israel: Syria has decided to make a formal complaint to the UN Security Council over "repeated Israeli provocations and violations" of the demilitarized zone along the Israeli-Syrian border. Israeli plowing and road-building activities in areas where the ownership of fields and the locations of the armistice demarcation line are disputed have resulted in exchanges of fire in recent weeks, most recently on 9 and 10 July. In taking the dispute to the UN, the Syrians hope to frustrate what they believe is an Israeli "plot" to attract support by creating an impression in UN circles that Israel is in danger.

The Security Council may also soon receive a complaint from Jordan against Israel's alleged extension of potash drying pans onto Jordanian territory south of the Dead Sea. Recent Israeli-Jordanian tension in Jerusalem, on the other hand, appears to be diminishing. Jordan has decided to replace its battalion which was involved in the recent incidents in Jerusalem.

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(Map)

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India-USSR: [Moscow's reported agreement to permit New Delhi to produce Soviet jet engines will breathe new life into the Indian program for producing supersonic fighters. The agreement presumably resolves the impasse which arose when basic incompatibilities were discovered earlier this year between the Russian engines and the Indian airframe. Reports a month ago suggested that after failing to persuade the Indians to modify the airframe, Moscow undertook to consider modifications of the engine.]

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[The reported agreement would provide India with a face-saving device to shelve the proposed purchase of MIG-21s. New Delhi may seek to balance out the agreement on Soviet jet engines by purchasing a small number of Western fighters as a stopgap until Indian fighters with Russian engines can be produced in quantity.]

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Afghanistan-Pakistan: The Shah's recent offer of good offices seems to have moved Afghanistan and Pakistan to adopt new positions which indicate that both want a settlement and which would offer a basis for negotiations. The Afghans say that they are ready to stop their anti-Pakistani propaganda, according to the Iranian foreign minister, and to defer discussion of the basic dispute over Pushtoonistan.

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Pakistan's President Ayub, for his part, is said to be willing to let the Afghans open their consulates "a month or two" after re-establishing diplomatic relations, and then to consider reopening trade offices. The Afghans, however, want to reopen both their consulates and trade offices after only about a week.

The Shah has accepted an invitation from King Zahir Shah and intends to go to Kabul before the King leaves for Moscow on 6 August.

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*Britain: [The cabinet reshuffle announced by Prime Minister Macmillan yesterday--like the reshuffle last October--primarily reflects the Conservative Party's concern over its continuing reverses in electoral and public opinion polls. The downward trend was evident again in yesterday's by-election where, in a safe Labor district, the Tory candidate dropped from second to third place behind the resurgent Liberals. The reshuffle either retains or brings into more influential positions the comparatively youthful men who have generally been considered to be rising in the party. Another result of the reshuffle is to place R. A. Butler in a generally strengthened political position. Chancellor of the Exchequer Selwyn Lloyd, who was the major fatality in the reshuffle, has been a liability because of the unpopularity and comparative ineffectiveness of his wage-restraint policies.]

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[There are as yet no clear implications for the Britain - Common Market negotiations now at the critical stage in Brussels. R. A. Butler--at one time cool toward the EEC but since more sympathetic--will retain in his newly created post as first secretary of state his previous responsibilities as chairman of the cabinet committee on the EEC negotiations. The chief EEC negotiator, Lord Heath, is apparently unaffected by the cabinet shifts. The new Chancellor of Exchequer Maudling was a leading figure in Britain's abortive effort in 1958 to establish free trade area ties with the EEC, and new Defense Minister Thorneycroft authored and successfully negotiated this year the project for joint European development of a space-launcher vehicle based on Britain's Blue Streak missile.]

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The Scientific Adviser to the President

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The Director, Office of Emergency Planning

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The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Counselor and Chairman of the Policy Planning Council

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The Assistant Secretary of Defense (International Security Affairs)

The Assistant Secretary of Defense

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Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U.S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Director, Defense Intelligence Agency

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

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